FOR IMMEDIATE RELEASE Docket #: A.05-06-004

Media Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov

PUC Launches Groundbreaking Energy Efficiency Effort

SAN FRANCISCO, Sept. 22, 2005 - The California Public Utilities Commission (PUC) today launched the most ambitious energy efficiency and conservation campaign in the history of the utility industry in the U.S. by authorizing energy efficiency plans and $2 billion in funding for 2006-2008 for the state's utilities, reaffirming that cost-effective energy efficiency is the state's first line of defense against power shortages.

"This is the most important thing we can do for long-term [energy] reliability in the state," said Susan P. Kennedy, the Commissioner leading the efficiency proceeding. "What this plan does is help us meet our growing needs, first and foremost, with the cleanest most cost-effective energy of all – greater efficiency." PUC President Michael R. Peevey emphasized that, "$2 billion is a significant expenditure, but the benefits clearly outweigh these costs and consumers gain in a multitude of ways. These programs will cut energy costs for homes and businesses by more than $5 billion, eliminate the need to build three large power plants over the next three years, and reduce global warming pollution by an estimated 3.4 million tons of carbon dioxide by 2008, which is equivalent to taking about 650,000 cars off the road."

The increased funding for the plans approved today is meant to enable both residential and business customers to take more advantage of the diverse mix of energy efficiency and conservation programs throughout the state. Examples include rebates, which range from $10 to $600, for Energy Star™ appliances such as refrigerators, air conditioners, water heaters, and clothes washers. Central to this approach is a single application for rebate opportunities that allows customers to simply purchase and install appliances and then go online to receive an "E-rebate" or in many cases, a "point of purchase" rebate given at the store when the item is purchased. Also in the list are financing strategies, sustainable communities programs, integrated offerings to targeted markets, such as agricultural and food processing, which incorporate best practices, a variety of energy efficiency measures, design assistance and equipment rebates and online energy audits for homes and voluntary energy audits for businesses, schools, hospitals, and other buildings. The plans also include continued and new partnerships with local governments and universities and schools to help control energy costs for these groups.

Californians are also already facing a winter of the highest natural gas prices in the state's history. Natural gas prices also have a large impact on the cost of producing electricity – which is passed on to consumers. In response to this situation, the Commission authorized the utilities to spend 2006 funding for natural gas energy efficiency programs immediately.

The approval of energy efficiency funding today is part of a larger effort by Governor Schwarzenegger, the PUC, and the California Energy Commission to secure California's energy future and reduce consumption of fossil fuels that are linked to global climate change. California is also investing in the most aggressive renewable energy program in the U.S. and developing aggressive demand response systems such as dynamic pricing. "Governor Schwarzenegger put the U.S. at the world table on climate change by signing an executive order launching the Green Building Initiative," Commissioner Kennedy said, "and today's decision provides the cornerstone of those efforts." The Governor's order directs efforts to make commercial and government buildings more energy efficient by 20 percent. With today's decision funding for the Governor's Green Building Initiative will increase to $230 million per year – a 36 percent increase in annual funding for climate change efforts. "The combined results of all these programs is that California will be the most aggressive nation-state in the world in reducing energy usage and reducing the harmful emissions linked to global climate change," Commissioner Kennedy said.

"This decision puts into action the resource acquisition goals of the state's Energy Action Plan – namely, that energy efficiency be required first before all other resources," Commissioner Kennedy continued. "In plain English, that simply means that before our electric utilities spend a dollar to buy power in the market or build a new generation plant, they will first invest in ways to help us use energy efficiency more efficiently. As a result, California can look forward to a cleaner and more affordable energy future."

To learn more about the many ways you can participate in and benefit from the energy efficiency programs offered by Southern California Edison, Pacific Gas and Electric Company, San Diego Gas and Electric Company, and Southern California Gas Company for homes and businesses, log on to www.sce.com, www.pge.com, www.sdge.com, and www.socalgas.com, respectively.

For more information on the PUC, please visit www.cpuc.ca.gov.

###

Statement of Commissioner Susan P. Kennedy on Item 30: 2006-2008 Energy Efficiency Program Funding September 22, 2005

Decision **DRAFT DECISION OF ALJ GOTTSTEIN (Mailed 8/17/2005)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Pacific Gas and Electric Company (U 39-E), for approval of the 2006 – 2008 Energy Efficiency Programs and Budget.	Application 05-06-004 (Filed June 1, 2005)
Southern California Gas Company (U 904-G), for approval of Natural Gas Energy Efficiency Programs and Budgets for Years 2006 through 2008.	Application 05-06-011 (Filed June 1, 2005)
Southern California Edison Company (U 338-E), for approval of its 2006 – 2008 Energy Efficiency Program Plans and associated Public Goods Charge (PGC) and Procurement Funding Requests.	Application 05-06-015 (Filed June 2, 2005)
San Diego Gas & Electric Company (U 902-E), for approval of Electric and Natural Gas Energy Efficiency Programs and Budgets for Years 2006 through 2008.	Application 05-06-016 (Filed June 2, 2005)

INTERIM OPINION: ENERGY EFFICIENCY PORTFOLIO PLANS AND PROGRAM FUNDING LEVELS FOR 2006-2008 – PHASE 1 ISSUES

TABLE OF CONTENTS

INTERIM OPINION:
ENERGY EFFICIENCY PORTFOLIO PLANS AND PROGRAM FUNDING LEVELS FOR 2006-2008 – PHASE 1 ISSUES

1. Introduction and Summary[1]

By today's decision, we authorize 2006-2008 energy efficiency portfolio plans and funding levels for Pacific Gas and Electric Company (PG&E), San Diego Gas and Electric Company (SDG&E), Southern California Edison Company (SCE), and Southern California Gas Company (SoCalGas), collectively referred to as "the utilities." These plans place cost-effective energy efficiency at the forefront of utility resource acquisition, consistent with the goals of the Energy Action Plan and our energy efficiency policies.

Departing from the administrative structure for energy efficiency of recent years, we tasked the utility program administrators to develop 2006-2008 energy efficiency portfolios that would meet or exceed our aggressive energy savings goals. We required that the resulting portfolios be cost-effective from two perspectives: (1) the total resource cost perspective, whereby the value of the energy savings is greater than the total cost of installed measures and all program costs and (2) the program administrator cost perspective, whereby the value of energy savings outweighs the cost of utility financial incentives to customers and all other program costs.

Consistent with our direction in Decision (D.) 05-01-055, the utilities developed their portfolio plans through a process of constructive and collegial exchange of information and ideas among utility staff, program advisory group members, third-party program implementers (including local governments),

---

1 Attachment 1 describes the abbreviations and acronyms used in this decision.

utility customers and other members of the public. Through the development of a Case Management Statement (CMS), this constructive exchange continued after the utility applications and parties' comments on those applications were filed.

In the aggregate as well as individually, the utilities' applications show that they expect to exceed the Commission's aggressive energy savings targets cost-effectively. Projected total resource savings to ratepayers (avoided utility generation and electric power and natural gas purchases, transmission and distribution costs) are over $5.4 billion over the life of the measures. With total costs estimated at $2.7 billion (including customers' out-of-pocket expenditures for energy efficiency measures/equipment), the total investment in energy efficiency during 2006-2008 is projected to produce $2.8 billion in net resource benefits (resource benefits minus costs). The utilities project that ratepayer investments in energy efficiency will be capable of avoiding the equivalent of three giant (500 megawatt (MW)) power plants over the next three years. In addition, the lifetime electricity savings that result from measures installed during that period will reduce global warming pollution by an estimated 3.4 million tons of carbon dioxide in 2008, equivalent to taking about 650,000 cars off the road. [2]

The sensitivity analysis performed in this proceeding indicates that the proposed program plans will still be cost-effective even if the utilities achieve only 60% of projected savings. For PG&E and SoCalGas, the portfolios would still be cost-effective at 40% of projected savings. We conclude that the proposed portfolio plans are cost-effective on a prospective basis, taking reasonable

---

[2] See Tables 1, 2 and the summary table of projected portfolio savings in Attachment 4.

account of the uncertainties identified by parties with respect to key cost-effectiveness input parameters.

To achieve these cost-effective savings, annual ratepayer investments in energy efficiency will need to increase from approximately $400 million per year to over $800 million, including funding for evaluation, measurement and verification (EM&V). Specific EM&V plans and budgets will be authorized by subsequent decision. Today, we authorize the following 2006-2008 energy efficiency program budgets, not including funding for EM&V activities: [3]

	Current	Authorized 2006-2008 Program Budgets			
	2005	2006	2007	2008	2006-2008
PG&E	$188,899,022	$244,653,750	$279,428,777	$343,385,716	$867,468,243
SCE	$133,274,945	$216,574,075	$225,111,946	$233,145,977	$674,831,998
SDG&E	$47,507,005	$75,135,490	$84,665,039	$97,740,036	$257,540,565
SoCalGas	$24,571,670	$44,322,946	$56,582,684	$68,016,003	$168,921,633
Total	$394,252,642	$580,686,261	$645,788,446	$742,287,732	$1,968,762,439

As described in this decision, today's adopted portfolio plans reflect a mix of proven program designs and implementation strategies in combination with approaches to solicit new, innovative designs and savings technologies to enhance overall portfolio performance, both in the short- and long-run. Examples of new program strategies include on-bill financing, sustainable communities programs and integrated offerings to targeted markets, such as agricultural and food processing, which incorporate best practices, a variety of energy efficiency measures, financing, incentives, design assistance and

[3] See Attachment 4. The incremental funding requirements associated with these budgets, including franchise fees and uncollectibles for the electric portions, are presented in Tables 4-7.

equipment rebates. The plans also include continued and new partnerships with local governments to tap the energy savings potential in local communities.

Each of the utility portfolios support statewide program activities in the areas of emerging technologies, support for codes and standards and statewide marketing and outreach. The utilities will also be working with upstream market participants, e.g., manufacturers, retailers and distributors, in order to increase the acceptance and availability of energy efficient measures and equipment in all markets. As described in this decision, they will be coordinating these activities statewide through joint meetings with their advisory groups and the development of joint plans for program implementation.

Approximately $ 725 million in program funds for the utilities combined will be put out to bid over the three-year program cycle to solicit third-party proposals.[4] The bid solicitations will target specific program areas that could be enhanced through improved design and implementation, or to solicit proposals for new program designs and technologies. For example, SCE will solicit bids for appliance recycling, residential energy efficiency rebates, home energy efficiency surveys, comprehensive heating, ventilating and air conditioning (HVAC) program activities, small business direct install programs, among others. PG&E plans to solicit competitive bids in each of its targeted markets, including residential new construction, agricultural and food processing, schools, colleges and universities and high technology sectors. Each of the utilities will be also be

[4] As discussed in Section 4 below, the utilities plan to set aside program budgets for competitive bid solicitations as follows: SCE-$250 million, SDG&E-$51 million, SoCalGas-$34 million and PG&E--$390 million (applying 45% to the 2006-2008 program budget, based on PG&E's estimate of the portion it plans to put out to bid).

soliciting bids for new and innovative programs that have the potential for longer term cost-effective energy savings, which may include commercialization/demonstration projects for emerging technologies.

By today's decision, we adopt the bid evaluation criteria that the utilities will use to develop their request for proposals (RFPs) for these competitive bid solicitations and select the winning bidders. As described in D.05-01-055, the bid evaluation process will be monitored by a subgroup of the utilities' program advisory groups, referred to as the "Peer Review Group," or "PRG." The PRG is chaired by Energy Division staff and PRG members have no financial interest in the outcome of the bid solicitations. Their independent assessment of the bid solicitation process will be appended to the utilities' compliance filings for Commission consideration of the results of the solicitations and final program offerings, later this year. At that time, we will review updated cost-effectiveness calculations to ensure that the portfolios continue to meet our savings goals and portfolio-level cost-effectiveness requirement, based on the responses to the bids and bid selections.

With respect to codes and standards advocacy programs, we adopt the recommendation presented by Energy Division and California Energy Commission (CEC) staff (Joint Staff) to credit 50% of the energy and peak savings resulting from those programs towards the 2006-2008 savings goals, subject to the condition that the actual savings are verified in studies conducted over the next three years. Consistent with Joint Staff's recommendations, we will consider these savings as a hedge against inherent risks that other programs may not meet their performance goals, as we evaluate the final program plans during the compliance phase of this decision. However, we defer consideration of whether these savings in new buildings and appliances installed after 2008 should count towards the savings goals in subsequent years, until we have fully considered this issue in the context of how we update the savings potential and associated goals for those years. We also clarify how we will treat these savings in cost-effectiveness and performance basis calculations for the 2006-2008 program cycle, and subsequent program cycles. Finally, we identify related issues that should be considered in the EM&V phase of this proceeding, in the context of updating our savings goals, or when we specify a risk/return incentive mechanism for energy efficiency programs, as appropriate.

Today's decision also describes the process whereby the utilities, with input from their advisory groups (and PRG subgroups) and the public, will continue to refine and improve program designs, implementation strategies and offerings throughout program implementation. For this purpose, we adopt fund-shifting rules that enable the utilities to make needed mid-course corrections to improve portfolio performance during implementation. In a separate phase of this proceeding, we are establishing EM&V plans for the 2006-2008 portfolio offerings and associated reporting requirements. The results of the EM&V studies and regular reports on program costs and activities will provide this Commission, utility program administrators, their advisory groups and the interested public with the information needed to ensure that the overall portfolio remains cost-effective to ratepayers throughout program implementation.

Following today's decision, the compliance phase begins as the utilities complete their competitive bid solicitations and finalize their program plans for our consideration. As part of that process, we have directed the utilities to conduct sensitivity analysis to assess whether those plans remain cost-effective and meet our savings goals if key parameters related to savings are lower than expected. We also adopt a common definition for projecting the demand reductions associated with the utility portfolio plans (daily average peak savings), and direct the utilities to re-estimate the peak savings from their 2006-2008 portfolio plans using this common definition.

The utilities are required to distribute these calculations to their PRGs and the service list in this proceeding within 15 days of the effective date of this decision. Working with their PRGs, the utilities are also required to report on additional issues designed to improve the consistency with which peak demand reduction estimates will be developed and reported. We adopt a schedule for these efforts that ensures that the resulting information will be available for our consideration during the compliance phase of the proceeding.

In addition, we take steps today to ensure that avoided costs are updated to properly value critical peak load reductions, whether such reductions are achieved through energy efficiency measures, distributed generation or demand response. More specifically, we initiate a review of our current avoided costs with respect to the values used during critical peak hours in our avoided cost proceeding, Rulemaking (R.) 04-04-025.[5] This review will also address certain refinements and improvements to the "E3 calculator" model used to calculate cost-effectiveness, as described in today's decision.

We also address certain EM&V issues raised during this phase of the proceeding. In particular, we clarify that net-to-gross ratio assumptions will be adjusted (trued-up) on an *ex post* basis when we evaluate actual portfolio

[5] "Critical peak" refers to the highest 100 hours (highest load) in the utility's load duration curve.

performance. [6] We also specify the expected useful life estimates to use in reporting portfolio performance and in calculating the performance basis for the 2006-2008 program cycle. In addition, we clarify that the Green Building Initiative does not create a free ridership issue with respect to projects that achieve a 20% improvement over Title 24 standards.

Pending the outcome of the compliance phase in this proceeding, today's decision authorizes the utilities to begin implementing on January 1, 2006 their non-competitive bid programs, as identified in their proposed portfolio plans. We extend this interim authorization until our final authorization of the proposed 2006-2008 energy efficiency programs, which is expected during the first quarter of 2006.

Once the roll out of energy efficiency programs begins in 2006, we will turn our efforts towards the establishment of a risk/reward incentive mechanism for energy efficiency, without further delay. We have already prepared the groundwork for now developing such a mechanism by addressing administrative structure issues and threshold EM&V issues related to performance incentives early this year. As discussed in this decision, we believe that this task should be the next priority for our energy efficiency rulemaking, R.01-08-028. We will undertake the development of a risk/reward incentive mechanism for energy efficiency in close coordination with the overall procurement incentive policies being developed in R.04-04-003.

---

[6] These ratios are used to estimate free ridership occurring in energy efficiency programs and are applied to gross program savings to net out the naturally occurring energy savings when determining the program's impacts.

2. Background and Procedural History

We initiated this proceeding in our energy efficiency rulemaking[7] with the issuance of D.04-09-060. By that decision, we established the Commission's energy efficiency savings goals for 2006 and beyond to reflect the critical importance of reducing energy use per capita in California. For the three electric utilities, these goals reflect our expectation that energy efficiency efforts in their combined service territories should capture on the order of 70% of the economic potential and 90% of the maximum achievable potential for electric energy savings, based on the most recent studies of that potential. These efforts are projected to meet 55% to 59% of the utilities' incremental electric energy needs between 2004 and 2013. On the natural gas side, our adopted savings goals represent a 116% increase in expected savings over the next decade, relative to the status quo.[8]

In D.04-09-060 we also authorized a three-year program implementation and funding cycle for electric and natural gas energy efficiency (program cycle). We directed that the proposed energy efficiency plans and funding levels for the 2006-2008 program cycle be developed to meet the adopted savings goals for those years.

By D.05-01-055 and D.05-04-051, we further clarified our expectations regarding the development of the 2006-2008 energy efficiency plans. In D.05-01-055, we returned the utilities to the lead administrative role in energy efficiency program selection and portfolio management—a role that they fulfilled

---

[7] R.01-08-028.

[8] See D.04-09-060, pp. 2-3.

in California prior to electric restructuring. We also clarified our expectations that the focus for spending ratepayer dollars in the future would be to meet or exceed our savings goals by capturing the most cost-effective energy efficiency resources as possible over both the short- and long-term.

As part of our overall approach to quality control, we established an advisory group structure, competitive bidding minimum requirements and a ban on affiliate transactions. These safeguards were designed to ensure that the program selection process would not favor programs designed and implemented by the utilities over those designed and implemented by third parties. In particular, we required that the utilities put out a minimum of 20% of their portfolio plans to competitive bid by third parties for the purpose of soliciting innovative ideas and proposals for improved portfolio performance.

We also directed the utilities to form program advisory groups (PAGs) representing local customer interests as well as national experts in the field of energy efficiency in order to: (1) promote transparency in portfolio development and design, (2) provide a forum for obtaining valuable technical expertise, (3) encourage collaboration among stakeholders and (4) create an open exchange of information in the development of the energy efficiency portfolios. A description of the advisory group process and list of PAG members is presented in Attachment 2.

In addition, we directed that a subgroup of non-financially interested members of each PAG, referred to as Peer Review Groups or "PRGs," be formed to review the utilities' submittals to the Commission. PRG membership includes Energy Division and Office of Ratepayer Advocates (ORA) staff, CEC staff and representatives from organizations without any financial interest in the program plans or competitive solicitations, such as the Natural Resources Defense Council (NRDC) and The Utility Reform Network (TURN).

The PRGs are required to provide written assessments of the utilities' overall portfolio plans, their plans for bidding out components of the portfolios per the minimum bidding requirements, the bid evaluation criteria utilized by the utilities and their application of that criteria in selecting third-party programs. We authorized Energy Division to hire a consultant to assist in its PRG responsibilities, including the review of the utilities' cost-effectiveness calculations for the proposed portfolio plans.

In D.05-04-051, we addressed threshold issues related to EM&V and directed the utilities to include in their applications a placeholder funding level for EM&V equal to 8% of program funding. We discussed the need to develop specific EM&V plans and funding levels on a separate track, so that the process could be informed by the protocol development activities coordinated by the Joint Staff. Finally, we directed the utilities to submit their proposed 2006-2008 energy efficiency plans and funding levels, together with the PRG written assessments, by separate application no later than June 1, 2005.

In addition, we updated the existing Energy Efficiency Policy Manual to reflect policy rules that articulate the Commission's objectives for energy efficiency, and provide guidance to the utility program administrators, program implementers and interested parties for the development of program portfolios for 2006 and beyond. Among other things, these rules describe threshold requirements for cost-effectiveness, and discuss how to calculate and present cost-effectiveness results for our consideration. They also summarize our determinations in D.05-01-055 regarding competitive bidding, advisory groups, affiliate rules and other administrative structure issues. In addition, the policy rules describe our expectations regarding the information that utility program administrators would file with their June 1 applications and during program implementation.

As described in Attachment 2, the utilities closely collaborated with their advisory groups and held public workshops as they developed their portfolio plans for our consideration. Their applications present a detailed listing of the comments and recommendations received during the PAG/PRG meetings and public workshops, and present the utilities' responses. As indicated by those responses, many of the specific recommendations were directly incorporated into the utilities' proposed portfolio plans.[9]

On June 1, 2005, the utilities filed their 2006-2008 portfolio plans and funding levels in this application docket. SDG&E, SoCalGas and SCE filed the PRG assessments with those applications. PG&E's PRG was granted a one-week extension in submitting their assessment. On July 8, 2005, PG&E filed the PRG assessment as a supplement to its June 1 application. The July 1 and July 8 PRG assessments included a draft report by TecMarket Works, Energy Division's consultant. That report reviewed the utilities' proposed plans with regard to cost-effectiveness and related issues based on information available as of mid-May.

On July 20, in response to PRG recommendations, PG&E filed an additional supplement to its application providing additional program detail and modifying the scope of portfolio areas that would be open to third-party bidding. On July 21, PG&E filed an errata to its June 1 submittals.

---

[9] PG&E: Volume 1, Prepared Testimony, Table 3-5; SCE: Exhibit SCE-2, Attachment III, Table 1.1; SDG&E and SoCalGas: Chapter I, Prepared Testimony, Attachment A.

A prehearing conference (PHC) was held on June 22 in San Francisco. As discussed at the PHC and in the Assigned Commissioner's subsequent scoping memo,[10] the proceeding is bifurcated into separate phases. Today's decision will address the portfolio plans and funding levels for non-EM&V related activities (Phase 1). As anticipated by the Commission in D.05-01-055, we will need to address specific EM&V plans for 2006-2008 energy efficiency activities and associated funding levels in a separate, subsequent Commission decision (Phase 2).

Once the Phase 1 issues are addressed by today's decision, the "compliance phase" begins as the utilities (with input from the PRGs) issue requests for proposals for competitive bids, review those bids, select winning bidders and finalize their program plans based on the responses. Per D.05-01-055, the Commission will allow the compliance filing to be submitted as an advice letter if the utility and its PRG are in full agreement on the final program plans and bid selections. If not, the utility will submit a compliance filing in this consolidated application docket requesting Commission approval of the final programs.[11]

Comments on Phase 1 issues were filed on June 30, 2005 by the following parties: Center for Small Business and the Environment, San Francisco Small Business Network and Small Business California (collectively referred to as CSBE in this decision), City and County of San Francisco (CCSF), ConSol, County of Los Angeles, NRDC, National Association of Energy Service Companies

---

10 See *Assigned Commissioner's Ruling and Scoping Memo*, dated June 30, 2005 in this proceeding.

11 See D.05-01-055, pp. 103-104.

(NAESCO), ORA, Proctor Engineering Group (Proctor), TURN, Utility Consumers Action Network (UCAN) and Women's Energy Matters (WEM).

On July 1, the utilities jointly filed a supplement on estimated savings from codes and standards advocacy programs, after holding a public workshop on the proposed methodology. On that same day, TechMarket Works' final report on cost-effectiveness was also issued for comment by Administrative Law Judge (ALJ) ruling.[12] On July 8, 2005, opening comments on the issue of codes and standards savings were filed by CCSF, ORA and NRDC. PG&E also submitted additional program detail to the PRGs on July 8, 2005.

On July 15, the utilities filed requests for interim authorizations, pending Commission action on the compliance filings. Per the direction of the ALJ and Assigned Commissioner, the utilities jointly filed a Case Management Statement (also referred to as CMS) on July 18, 2005.[13] This filing articulates the current status of the undisputed and disputed issues in this proceeding among the utilities, PRG members and all parties filing opening comments in this proceeding.

On July 21, 2005, reply comments were filed by CSBE, Cal-UCONs, Inc. (Cal-UCONS), CCSF, Consol, jointly by Efficiency Partnership, Runyon Saltzman & Einhorn and Staples Marketing Communications, Inc., NRDC,

---

12 *Administrative Law Judge's Ruling Soliciting Comments on TecMarket Works Final Report*, dated July 1, 2005 in this proceeding.

13 See *Administrative Law Judge's Ruling and Notice of Prehearing Conference*, June 8, 2005 and *Assigned Commissioner's Ruling and Scoping Memo*, June 30, 3005 in this proceeding. An extension to the filing date from Friday, July 15 to Monday at noon, July 18 was granted by ALJ Gottstein to allow PG&E sufficient time to assemble the final document on behalf of CMS participants.

NAESCO, PG&E, TURN, SDG&E/SoCalGas, and WEM. These comments respond to (1) positions of the parties as reflected in the June 30 opening comments and subsequent CMS, (2) updates to TecMarket Works draft report as reflected in the July 1 final report, (3) July 8 opening comments on codes and standards savings, and (4) the utilities' July 15 requests for interim authorization. The utilities submitted joint reply comments on codes and standards savings.

On June 30, 2005, the Assigned Commissioner issued a scoping memo confirming the preliminary categorization of the proceeding as ratesetting. The record of the proceeding provides sufficient information for us to evaluate the issues. No hearing is necessary.[14]

3. Scope of Proceeding

As outlined in the Assigned Commissioner's scoping memo, our consideration of the 2006-2008 program planning applications will focus on the following issues:

Phase 1:

1. Are the proposed portfolios cost-effective on a prospective basis taking reasonable account of uncertainty with respect to key cost-effectiveness input parameters?

2. Are the portfolios designed such that it will be feasible for the utilities to meet or exceed the Commission's energy savings goals? If each of the annual goals cannot be met in light of the accounting and ramping up transition issues described in D.04-09-050 and D.05-04-051, will the proposed portfolio plans meet or exceed the 2008 cumulative energy savings goal?

---

[14] *Assigned Commissioner's Ruling and Scoping Memo*, June 30, 2005, p. 6.